

The Southern Cone Countries: A Regional Analysis

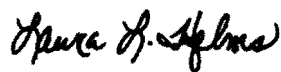
An Honors Thesis (HONRS 499)

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ABSTRACT

In a world facing rapid globalization, cultures more frequently interact with each other than ever before. Understanding these cultures is integral to the success of any business wishing to expand overseas. This work examines the Southern Cone countries of South America, consisting of Argentina, Chile, Paraguay, and Uruguay. To better understand the commonalities between these countries, each is examined individually, with a focus on economy and business culture. As the importance of regional blocs continues to grow, so does the relevance of international cooperation. After gaining a basic understanding of each country, each is compared with the other in order to demonstrate commonalities that will promote future integration and cooperation. The importance of the Southern Cone in the world will continue to increase in coming years, and this work is meant to provide an understanding of the region and its future.

ACKNOWLEDGEMENTS

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INTRODUCTION

The Southern Cone of South America includes the countries of Argentina, Chile, Paraguay, and Uruguay. There is no set definition that specifically includes the countries of the Southern Cone. Some researchers claim that the Southern Cone includes the countries listed above, Brazil, and/or Bolivia. Some researchers do not include Chile; others include Peru. For the purposes of this project, the countries of Argentina, Chile, Paraguay, and Uruguay are the countries that will be examined as part of the Southern Cone. Although Brazil is a tremendous player in the economy and politics of South America, I feel that geographically, more of the country is located out of the Southern Cone. I also feel that Peru and Bolivia are more Andean countries and share more of the characteristics of Ecuador, Columbia, and Venezuela.

The Southern Cone region is a region of the world often ignored. As the global economy expands and becomes more inclusive, the market will expand into areas with which we are not as familiar. Many studies recently have been focusing on the “business boom” of Asia, and studies of the past have focused on the economies of Europe and North America. The countries of the Southern Cone share much history, culture, and economic ties. As a person living in our global society, it is important to be able to understand these countries, as they will one day be a substantial player in the world economy. A working knowledge of the Southern Cone region, its history, societal culture, and business customs will be essential to the success of any business wanting to work in this region.



ARGENTINA

Introduction (Geography & Climate)

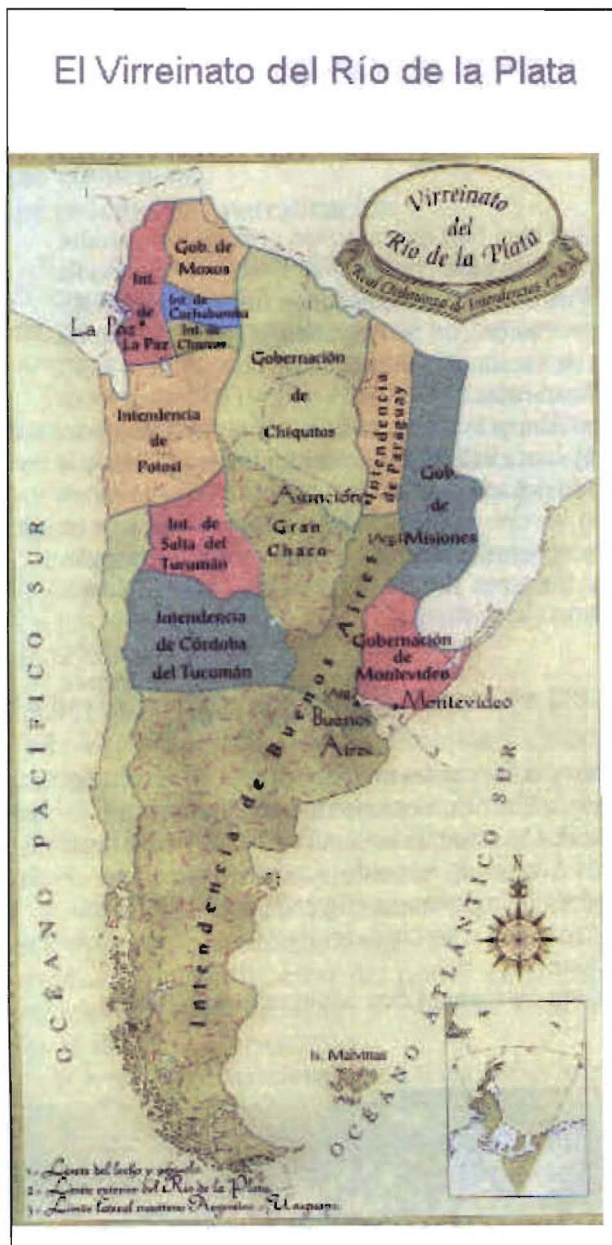
Dominating the Southern Cone, Argentina is the world's eighth largest country and the second largest in South America, occupying over 2.8 million square km. The country borders the South Atlantic Ocean and shares borders with Chile (5,150 km), Bolivia (832 km), Paraguay (1,880 km), Uruguay (579 km), and Brazil (1,224 km). Additionally, it has overlapping claims on Antarctica with Chile and the United Kingdom. Climates range from hot and humid in the northern part of Argentina to cold and rainy in the southern regions.

Argentina is located along some of the world's most important shipping lanes, including the Strait of Magellan, Beagle Channel, and Drake Passage. Linking the Atlantic and Pacific Oceans, these passages have historically held global importance. It also possesses some of the world's tallest mountains, with Cerro Aconcagua (7,021 m.) the tallest peak in South America. The majority of the country is occupied by grassy plains called "pampas," whose fertile plains contribute to the wide



array of natural resources possessed by Argentina, including lead, copper, zinc, iron ore, manganese, petroleum and uranium. The country is also famous for the Patagonia region, which claims some of the most beautiful land in South America. The landscape of Argentina varies greatly, from impressive waterfalls, to wild and remote areas, to a vibrant metropolitan life in Buenos Aires.

The Argentine flag has three equal horizontal bands of light blue (top), white, and light blue; centered in the white band is a radiant yellow sun with a human face known as the Sun of May.



Background

The first Europeans arrived in Argentina in the early 16th century, but it was not until 1580 that the settlement of Santa Maria de Buen Aire (Buenos Aires) was permanently established. In 1776, Spain established the Viceroyalty of Río de la Plata with the capitol at Buenos Aires. Argentina declared its independence from Spain on July 9, 1816. Difficulties in agreeing upon a form of government led to a civil war in 1819, ending in 1820. Argentina fought a war with Brazil from 1825-1827 over rival claims to Uruguay, which emerged as an independent state. A constitution was adopted in May 1853, after a regime change supported by Uruguay and Brazil. The Buenos Aires Province, refusing to

accept the new constitution, claimed independence from Argentina and caused a war in 1859, which was quickly won by the Argentine Republic.

In 1865 Paraguay invaded Argentina, provoking the bloody War of the Triple Alliance, in which Argentina, Brazil, and Uruguay crushed Paraguay in 1870. Argentina has had several boundary disputes with Chile, nearly leading to war over Tierra del Fuego, and over borders in Patagonia. Additionally, Argentina has had boundary disputes with Brazil.

At the turn of the century, Argentina was one of the richest countries in the world and enjoyed its position as the most prosperous country in South America. This lasted until a coup



d'état in 1930, in which Juan Domingo Perón took power. He was ousted from office in 1955, and Argentina was subject to various military governments until 1973, when Perón returned to power. His second wife, Isabel Perón, received the Presidency after her husband's death in 1974 and became the first woman to head a government in the Western Hemisphere. She was overthrown in 1976 by military takeover. The military then launched a "dirty war" against those considered to be subversive, killing thousands with many more people disappearing. In 1982, the military sent troops to the Falkland Islands, an Argentine

territory administered by the United Kingdom since 1833, to reclaim the territory. The United Kingdom sent military troops, and defeated the Argentines in 1983.

Demographics

The population of Argentina exceeds 39 million people and is growing annually at about 1%. The overall median age is about 29 years, with about 2.19 children born per woman. Argentina's

ethnic makeup is comprised of Europeans (97%), mostly of Spanish and Italian descent; Mestizo, Amerindian and other nonwhite groups (3%). Like other Southern Cone countries, much of Argentina's population is literate, with a literacy rate of over 97% (Central Intelligence Agency, 2006).

Religion is an important aspect of an Argentine's life. According to the CIA website, four religions are practiced in Argentina. Roman Catholicism has the largest number of followers with 92% of the population. Following that are the Protestants and the Jewish faith each with 2% and other religions sharing 4% of the population. Although many take pride in the fact that Catholicism is the official state religion, only 20% of the population actively practices the religion. The daily religious observance for many is to merely make a cross sign when passing a church (Nationmaster, 2006).

Language

Spanish is the official language of the country. As is the case in other South American countries, phonology, morphology, the lexicon and other linguistic aspects differ per country. Argentina is widely renowned for its *porteño* dialect, found in the Buenos Aires Metropolitan area. Due to the large European influence, it is also common to find European-based languages spoke throughout the country. Italian, German, and French can be heard throughout Argentina, especially in Buenos Aires. In rural areas, particularly in the Northwest region of the country, the indigenous languages Guaraní, Mapuche, and Quechua are still spoken occasionally.

Government Structure

Argentina is a republic that has three governmental branches. The executive branch consists of a president, vice president, and cabinet. The current President of the Republic is Nestor Kichner, elected in 2003; the president serves five year terms.

The Legislative branch consists of a bicameral congress: a Senate and a Chamber of Deputies. The Senate is comprised of 72 members elected for six year terms, with one-third elected every two years. The Chamber of Deputies has 257 members for four year terms, with one-half elected every two years.

The Judicial Branch is headed by the nine justices of the Supreme Court and includes federal and provincial and trial courts.



The country has 23 provincias (provinces) and one autonomous federal capital district: Buenos Aires, Buenos Aires Capital Federal*, Catamarca, Chaco, Chubut, Cordoba, Corrientes,



Entre Rios, Formosa, Jujuy, La Pampa, La Rioja, Mendoza, Misiones, Neuquen, Rio Negro, Salta, San Juan, San Luis, Santa Cruz, Santa Fe, Santiago del Estero, Tierra del Fuego - Antartida e Islas del Atlantico Sur, and Tucuman.

Suffrage is universal to all those over the age of 18 and is compulsory.

There are at least ten active political parties in Argentina: Alternative for a Republic of Equals (ARI), Front for Victory (FV), Interbloque Federal (IF), Justicialist Party (PJ), Justicialist Front (FJ), Radical Civic Union (UCR), Republican Initiative Alliance (PRO), Commitment for Change (CPC), Socialist Party

(PS), and Union For All. There are also several smaller provincial parties.

Transportation & Communications

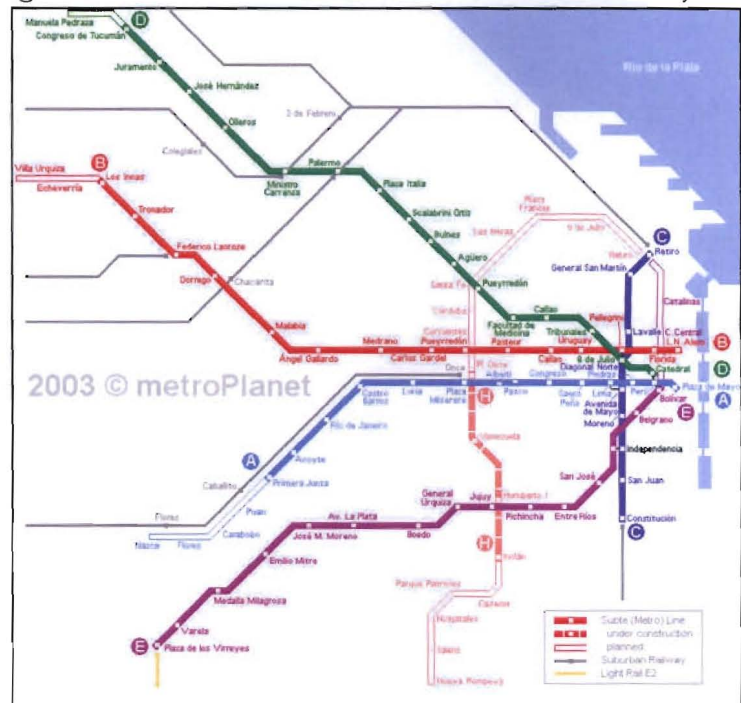
Argentina is fairly advanced in the aerospace industry: Argentina has the 6th most number of airports in the world with 1,334 airports as of 2004 (Central Intelligence Agency, 2006). They also have a national airline called *Aerolíneas Argentinas*. Their national airline flies all over the country and to destinations around the world, including London, New York, Sydney, Mexico City, and all over South America.

Argentina has an extensive road system, ranking 24th out of the top 100 countries for most kilometers of road (Nationmaster, 2006).

Around the Buenos Aires metropolitan area, a highway system

eases travel. A fairly extensive Argentine underground metro system (el subte) can easily get travelers from one point to another in Buenos Aires. It is the oldest underground system in South America, and so may not be the most modern, but it is effective.

The merchant marine fleet is extremely small in Argentina. Although Argentina might not have an outstanding number of ships, the country does have the waterways to support them. In Argentina there are 10,950 km of waterways, 12th out of the top 100 (Central Intelligence Agency, 2006). There is available water transportation down the Río Plata, and regular ferries transport people from Buenos Aires to the Uruguayan capitol of Montevideo and other Uruguayan coastal



cities. Rail transportation is also available between Argentine cities.

The communications industry in Argentina is an industry that continues to grow, with advances in technology helping to better connect the country. Mobile telephones have become popular in the past decade, with about 22.2 million mobile phones in use as of 2003, nearly 56% of the country's population. In 2000, there were reported to have been 2.56 million personal computers in the country, amounting to approximately 65 computers per 1,000 people. The internet market is continually growing, with a reported 6.15 million users as of 2003. Argentina ranks 24th out of the top 100 ranking countries in internet usage which accounts for nearly 17% of the population. Argentina is making strides to become a "connected" country, and in 1998, the government opened the telecommunications market to competition and foreign investment in the *Telecommunications Modern Liberalization Plan of 1998*. The government encourages growth in this area and is installing fiber-optic cables between all major cities (Nationmaster, 2006).

Capital City

Buenos Aires is the capital of Argentina and one of the largest cities in Latin America, with a metropolitan area population of over 12.5 million people (Tourist's Guide to Buenos Aires, 2006).

Located in the east central region, the city serves as the primary port



for the country and is situated on the Rio Plata. The residents of Buenos Aires are known as *porteños* (people of the port), not to be confused with the residents of the Buenos Aires Province.

Buenos Aires experienced remarkable European immigration during its development. As a result, communities of Italian, French, and British descendents can be found in the city. These communities offer a distinct European identity, and their native languages can be heard in these areas. This European influence is also evident in the architecture of the city, where European styles blend together.

The city serves as the financial and commercial center of the country. Buenos Aires is a cosmopolitan and elegant city, renowned for its sophistication. It houses the national government offices, the legislative chambers, and judicial powers and serves as the center for the defense and security of the country. It also is the diplomatic heart of Argentine foreign relations.

Buenos Aires is considered the cultural hub for southern South America and for much of the Spanish speaking world. It is said to be the birthplace of Tango and home to the popular neighborhood, "La Boca."

Economy

Argentina registered a US\$542.8 billion Gross Domestic Product (GDP) in 2005, with a per capita GDP of US\$13,700. The labor force of the country consists of 15.3 million workers, with an unemployment rate of 11.1%. Minimum wages in Argentina are generally US\$300 per month or US\$1 per hour. Monthly gross salaries average US\$904, with a maximum of US\$2,861 in the mining sector and a minimum of US\$397 in the agriculture (Central Intelligence Agency, 2006).

Traditionally, Argentina's economy has been concentrated in the agricultural sector, but the industrial and service sectors have grown significantly in recent years. Livestock (predominantly cattle and sheep) and grains have always been the center of wealth; the country's cattle herds are among the world's finest. Agriculture exports rival those from the United States and Canada. Aside from agriculture, the principal industries of the country include food processing, motor vehicles,

consumer durables, textiles, chemicals and petrochemicals, printing, metallurgy, steel, and oil. These industries exhibited some sort of economic growth after 2003. The industrial sector's manufacturing establishments employ about 20% of the national labor force (Nationmaster, 2006). Due to Argentina's large agricultural sector, food processing, the country's oldest and largest industry, still shows economic growth.

Argentina's foreign trade plays a fairly minimal role in its national economy, equaling about 13% of the GDP. Argentina's exports have increased to 7% of the country's GDP, a slight increase since 1990. Its exports amounted to US\$26 billion in 1998, increasing considerably in 1999 with continued increases through 2002. Argentine's exports were reported to be US\$38 billion in 2005. Main export commodities include edible oils, fuels and energy, motor vehicles, and paper. The country's main export partners include Brazil, Chile, US, China, and Spain. Beginning in 1997, for the first time in over 60 years, Argentina also began to export beef to the United States. However, in 2000 beef exports to the U.S. were prohibited when some Argentine cattle were discovered to have hoof and mouth disease. Argentina imports commodities such as machinery and equipment, motor vehicles, chemicals, metal manufacturing, and plastics. Importing partners include Brazil, the US, Germany, and China and amount to about US\$30 billion (Central Intelligence Agency, 2006).

Over the past decade, the country has persistently suffered from high inflation, external debt, and budget deficits. Growth in 2001 was negative (-0.8%), due to uncertainty from foreign and domestic investors about the ability of Argentina to pay back its debts. The budget in 2001 stated there were US\$44 billion in revenues but US\$48 billion in expenditures, meaning there was a US\$4 billion budget deficit. Privatization and other economic reforms produced unprecedented economic growth, but large economic problems remain, including a massive national debt of \$155 billion (due to freehanded government spending, tax evasion and high unemployment) (Hodgetts and Luthans,

2003). Since the crisis, the country has rebuilt and only reports about 38% of its population below the poverty line, a far cry better than the 60% living in poverty in 2004 (Central Intelligence Agency, 2006).

Ethics

Transparency International, who annually measures corruption in countries around the world, gives countries a score of 10 (squeaky clean) to 0 (rampant corruption). In 2005, Argentina received a score of 2.8, an improvement over its previous year's score (Transparency International, 2005). As can be seen from that score, ethics may not be an issue that receives the respect it should. Some of the corruption in Argentina stems from nepotism and bribery. It is very common to see family members working with one another and to see Argentine firms "pressure" other firms with bribery. Although many Argentines believe that "business ethics" is an oxymoron, "the pressure on Argentina to put an end to corruption is growing" (Olaso, 1992). Hopefully, Argentina will listen to demand, and good business ethics will soon become a societal norm.

Business Culture

The free market economy is widely accepted in cosmopolitan Argentina, and businesspeople are generally cordially received. Although ambitious, Argentines will put their personal lives before business. They can be argumentative, but tend to avoid open conflict. Personal relationships must be developed before doing business. Argentines are warm and friendly in business dealings, and a business traveler should be prepared to talk about friends and family.

Success in navigating the business culture in Argentina depends on becoming familiar with cultural issues in the society at large. Introductions in Argentina generally consist of a firm handshake. After introductions, however, don't be surprised to see two men kissing each other on the cheek. An embrace and a kiss are an appropriate greeting between all friends and family

(Bosrock).

When making appointments, the meeting should be arranged with the decision maker's personal assistant and/or secretary. Politeness is expected with these intermediaries, as they can determine the order in which businesspeople meet with the decision maker. When arranging the meeting, try and schedule at least two weeks in advance. Finally, when the day of the meeting arrives, it is expected for the guest to arrive, but don't be surprised if the host is 15-20 minutes late. For informal gatherings and dinner parties, it is expected that guests arrive 15-30 minutes late (Isenrath, 2004).

Individuality is important in Argentina, which is why Argentines strive for personal independence. With this independence, Argentines want top positions in firms so they can give orders rather than take them. While striving to be an individual, Argentines are very traditional and conservative. Men are expected to wear dark suits, and women often prefer to wear suits as well. Business casual dress is generally not very well received. Light colors in outfits will stand out, as most Argentines dress modestly. Argentines evaluate body language, facial expressions, and clothing when introduced to a new person (Bosrock).

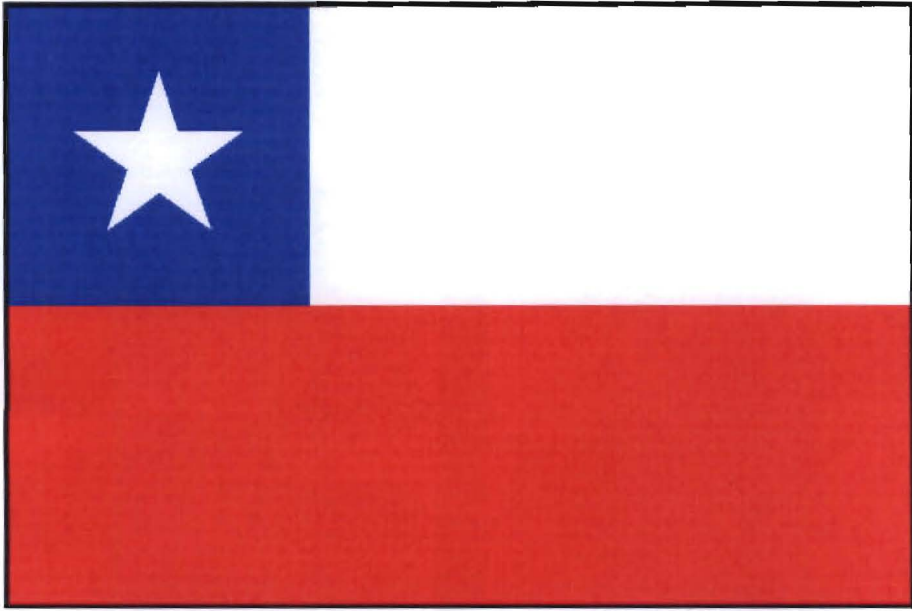
In conversation, Argentines like to be open and honest, but diplomatic at the same time. Therefore, if the conversation appears confusing, it is more than likely because the host is trying to be amiable, taking care not to offend. Argentines tend to stand close together when conversing and may be offended if someone steps away from them. The family is the center of Argentine life, and so questions about family are well received. Other popular topics of conversation include sports, food and wine, the arts, and the country's landscapes. Although Argentines are not overly patriotic, make sure not to make any negative comments about the country. Topics of conversation to avoid include talk about neighboring countries, local, national, and international politics, the Maldivas

(Falkland Islands) conflict, and human rights violations (Isenrath, 2004).

When gift-giving in a business setting, choose gifts that will not be perceived as bribery.

This means that the gift should be fairly inexpensive, but of good taste. When visiting an Argentine home, it is appropriate to give flowers, chocolate, and/or a good bottle of wine to the hostess.

Negotiations will often take some time and several meetings. Make sure business cards are printed in both English and Spanish and presented during introductions. It is recommended that upper-level executives attend the first meeting with some mid-level executives. Mid-level executives will attend subsequent meetings and work through the details of the project. Meetings are usually very focused and intense; humor and kindness are appreciated. Aggressive and “hard-sell” strategies will not go over well with Argentines, as they tend to avoid confrontation. Above all, have patience. Often, the final decision rests with upper-level executives, and decisions may take some time. After contracts are negotiated, Argentines will rigidly stick to the contract and quickly address any issues that may arise (Isenrath, 2004).



CHILE

Introduction (Geography & Climate)



South America.

Chile borders three countries: Argentina (5,150 km), Bolivia (861 km), and Peru (160km).

With a coastline of 6,435 kilometers, Chile's unique ribbon-like shape is the longest (north-south) country in the world, stretching from near the Equator, and south to Antarctica. Its claims to Easter Island, Isla Sala, and Isla Gomez, and its borders on the Pacific and Atlantic Oceans give Chile immense maritime claims. Chile is also the home to the famous Straits of Magellan and the Beagle Channel, explored by early navigators and tradesmen. Often referred to as the country at the "end of the world," Chile boasts a diverse climate and beautiful terrain.

Northern Chile is home to the Atacama Desert, the most arid desert in the world. Central Chile is known for its Mediterranean-like climate and the South is home to beautiful terrain, over 35 large islands, and hundreds of smaller islands, part of the world-renown Patagonia region of

Its Antarctic claims overlap claims from Argentina and the United Kingdom.

Chile's great length lends itself to varied landscape and many natural resource opportunities.

Copper is Chile's largest natural resource and its main export. Other natural resources extremely valuable to Chile include timber, iron ore, nitrates, precious metals, and hydropower.

Background

Chile was first explored in 1520 by the European explorer Ferdinand Magellan. The Spanish founded the first European settlement in Santiago in 1541 after fierce resistance from the indigenous people. Chile was subject to colonial Spanish rule after the founding of Santiago, and was administered by the viceroyalty of Peru.

On September 18, 1810, Chile joined other Spanish colonies in declaring their independence from Spain. However, Chile's formal declaration of independence came in 1817 by Bernardo O'Higgins. In the mid-1800s, relations with Argentina became tense over the island of Tierra del Fuego. After 40 years of unarmed conflict in 1881, Argentina and Chile reached an agreement to divide Tierra del Fuego, and armed conflict was avoided.

Relations with Bolivia became hostile in the late 1800s when Chile claimed valuable nitrate deposits located in the Bolivian-controlled Atacama Desert. Disregarding Bolivian claims, Chilean troops were dispatched to the Bolivian port of Antofagasta, resulting in a declaration of war from Bolivia against Chile. Two months later, Bolivia's ally, Peru, also declared war on Chile. This began the War of the Pacific, with Bolivia and Peru fighting against Chile. The war ended in 1883, and Chile gained considerable territory from both Bolivia and Peru, far extending Chile's coastline. Less than a decade after the end of the war, the Roman Catholic Church instigated a civil war because of the liberal policies of President José Manuel Balmaceda.

In 1924, after Chile's neutrality in WWI, political strife caused a coup d'état, and a military

dictatorship took power. An unsuccessful dictatorship, it was overthrown by another coup d'état in 1925. Chile entered WWII on the allied side in 1944 and afterwards became a charter member of the United Nations. Another military coup d'état, led by General Augusto Pinochet, overthrew the government of President Salvador Allende on September 11, 1973. Pinochet ruled Chile under a military dictatorship from 1973 to 1990. He abolished the constitution and the congress, imposed strict censorship, and banned political parties. Thousands and thousands of people were jailed, tortured, murdered, or simply disappeared because of their opposition to Pinochet. The country remained in a state of emergency under police rule until 1990.

The red on the flag of Chile stands for the blood of the patriots who fought for the freedom of the country. The white stands for the snow of the Andes Mountains. The blue represents the blue of the skies. The single five-pointed star symbolizes that Chile is a Unitarian republic, not a federal republic.

Demographics

With a population of close to 16 million, Chile has the second largest population in the southern cone. Its population is growing slowly at a rate of 0.97% a year, a higher growth rate than that of the United States (0.92%), with an average of 2 children born per woman. The overall median age of the population is about 30 years. The life expectancy of those living in Chile is approximately 76 years (United States: 77 years old), and the population boasts a literacy rate over 96%. Its population is surprisingly homogenous, mostly of “white” or “white-Amerindian” descent (95%). The remaining 5% of the population is comprised of those with Amerindian and “other” descent (Central Intelligence Agency, 2006).

Chile abolished the death penalty for ordinary crimes, and divorce was just legalized in December 2004, making it one of the last countries in the world to allow divorce. Abortion is not

legal in any part of the country, resulting in many deaths at illegal abortion clinics. Religious values may be at the core of these societal trends. Religion plays a very important cultural role in Chile. The Roman Catholic Church plays an influential role with the government and people of Chile, with 89% of the population claiming Roman Catholicism as their religion. In reality, a much smaller percentage actually practices the religion on a regular basis. In addition to Roman Catholicism, 11% of the population is reported to be protestant, with a negligible Jewish population (Nationmaster, 2006).

Language

As the official language of Chile, Spanish is spoken widely over the entire country. The language began with the first Spanish conquistadors' arrival in Chile and has a "tendency to reflect regional traits of the southwestern part of Spain, notably Andalusia . . . where the large part of the sailors, conquistadors, and colonists came from" (Bond and Castillo, 1987). In relation to Chile and its dialect, "The heavily populated central valley partakes in many of the traits of the late Andalusian. . . ." (Bond and Castillo, 1987), meaning that Chileans may drop consonants off the ends of their words and run them together. Due to Chile's vast length, regional differences and indigenous influences, Chilean Spanish is very unique.

Government Structure

"La República de Chile" (The Republic of Chile), the official name of the country, consists of three branches of government: the executive, legislative, and judicial. Chile recently made history with the election and inauguration of President Michelle Bachelet, the first woman president in Chile's history. She heads the Executive Department and administers regional counselors, regional



governors, and fifteen ministers.

The legislative branch of the Chilean government is comprised of a bicameral parliament. The House of Deputies seats 120 elected members, each of whom serves a term of four years and are may run for reelection. The Senate of the Republic consists of 49 senators, 38 of whom are elected democratically according to their electoral district. Of the remaining 11, two are appointed “by their own right” (Gobierno de Chile, 2006), and nine are permanent organizational seats, ensuring representation for areas of the National Government that may not otherwise get represented, including the ex-President of Chile. Senators are elected for terms of eight years and have the power to remove the president.

The Judicial Branch is comprised of the Supreme Court of Justice and Appeals Courts. Additionally, the Constitutional Court, Military Court, Regional Electoral Courts, and “Tribunal Calificador de Elecciones” (Elections Courts), do not fall under the jurisdiction of the Supreme Court. The Supreme Court is made up of 21 justice ministers and operates on five points of independence, legality, immobility (inability for a justice to be removed), inexcusability (justices have to pass judgment), and responsibility.

Chile is geographically divided into thirteen regions and further divided into provinces that are governed by provincial governors who report to regional superintendents. The Santiago metropolitan area is given its own region, “RM.”

Universal suffrage is available to all beginning at age 18. Voting is compulsory, however, and there who do not vote may be fined, arrested, or jailed.

According to the CIA World Factbook (2006), there are nine political parties active in Chile: the Alliance for Chile (“Alianza”), the Christian



Democratic Party, the Coalition of Parties for Democracy ("Concertación"), the Communist Party, the Independent Democratic Union, the National Renewal, the Party for Democracy, the Radical Social Democratic Party, and the Socialist Party. The two largest and most powerful political parties are the Christian Democracy and the Socialist Party.

Transportation & Communications

Transportation in Chile varies and depends on the area. Micros, colectivos, taxis, planes, trains, and automobiles are all fine forms of transportation, used by many. Chile has a total of 6,585 km of railways, 79,605 km of highways, and an extensive waterway system supported by the hundreds of islands located in south Chile (Nationmaster, 2006).

Chile excels in sea and maritime businesses. Chile has eleven ports located up and down the coast extending from near-equator to near-Antarctica. Chile has forty-seven ships in its merchant marine, the two most common types of ships being bulk (10) and chemical tankers (9). Chile has approximately 363 airport runways, though most (216) are unpaved and less than 914 meters long. There are six airports with paved runways over 3,047 meters long. In total, there are seventy-one paved runways in Chile. The biggest airport is the Arturo Merino Benitez International Airport in Santiago (Nationmaster, 2006).



Santiago's underground METRO system was modeled and designed after the French metro system. It is considered one of the most clean, rapid, and safe modes of transportation in the city. Micros are very similar to city buses, and taxis are operated in the same manner as in the U.S.; both

are easily available in cities.

Cellular phones are immensely popular in Chile, with about twice as many mobile phones in contrast with land-line phones. Over 40% of the population has a mobile phone, and Chile globally ranked 40 out of 232 countries for the number of cellular phones in the country. As technology advances, internet and computer use in Chile continues to increase. As of 2002, there were a reported 3.58 million users. It ranked 33rd out of the top 300 ranking countries, and it accounted for nearly 23% of their population. Chile also currently has 180 AM radio stations, 64 FM radio stations, and 63 television broadcast stations (Nationmaster, 2006).

Capital City

Santiago is the capital of Chile. With a population of over 5.8 million, it is one of the largest cities in South America, second in the Southern Cone to Buenos Aires, Argentina.¹ The city began the founding of Chile with its establishment by Pedro de Valdivia in 1541 as Santiago Nueva de Extremadura. After its founding, Santiago received massive Spanish immigration, the influence of which can still be seen in some architecture. The heart of the executive and judicial branches of government is located in Santiago. The National Congress was moved from Santiago to Valparaíso during the Pinochet regime. Metals processing is very important to the economic activity of the city, as Santiago serves as the main processing center for the country's most important export – copper.



Smog is a common sight in Santiago, and air pollution is a great concern. The geographic

characteristics of the city, particularly the mountains surrounding it, make it very hard to be rid of air pollution. These environmental concerns have prompted the national government to limit the number of cars allowed on the streets during the weekdays and to concentrate on providing effective public transportation.

Although geographic location may cause some environmental issues, it also makes Santiago a very desirable city in which to live. It is one of the few cities in the world in which one can enjoy so many different geographic treats. In one day, a family could visit the modern ski slopes located in the Andes Mountains and then retreat to the beaches of Viña del Mar or catch the views at the port city of Valparaíso that afternoon.

At the center of the city is Cerro de San Lucia (The Hill of Saint Lucia), where Pedro de Valdivia founded the city. It is an important landmark for the city and now serves as a national park. The park is surrounded by some of the oldest and most important buildings in Chilean history. Beyond the city center, one can easily see the mix of old culture with modern innovations; skyscrapers often stand next to centuries-old buildings.

Economy

Chile is widely regarded as setting the benchmark in South America for economic reform. With one of the most stable economies in South America, Chile made significant changes to its economic policies during the 1980s. These policies enveloped an idea of a unilateral trade policy coupled with a uniform tariff rate. In 2003, Chile's economy was ranked 16th in the world and one of relatively few in the world classified as having a "free market" (Miles, et. al., 2004).

According to the CIA (2006), the Gross Domestic Product (GDP) for Chile in 2005 was \$185.1 billion (47th in the world) with a real growth rate of 6% per year. The GDP per capita was \$11,300. Their GDP is comprised of 6.2% in agriculture, 46.5% industry, and 47.3% services. Chile

has an unemployment rate of 7.4% as of 2005 with 20.6% of the population below the poverty line.

Chile's foreign trade plays a significant role in its national economy, equaling about 38% of the GDP. Chile's exports currently produce 21% of the country's GDP. Chile's exports were reported to be US\$38 billion in 2005. Major exports include copper, nitrate, fish, fruit, and chemicals, most often traded with the US, Japan, China, South Korea, Netherlands, Brazil, Italy, and Mexico. Major import trading partners include Argentina, the US, Brazil, and China, with trade amounting to just over US\$30 billion. The majority of their imports include consumer goods, chemicals, motor vehicles, fuels, electrical machinery, heavy industrial machinery, and food. In 2003, Chile lowered its flat-rate tariff, which affects many items entering the country, from 7% to 6%. Agricultural products face a complex price banding system that encourages citizens to buy Chilean (Central Intelligence Agency, 2006).

The Chilean Congress ratified a Free Trade Agreement with the European Union in February of 2003. This agreement is still pending approval from the European Union. A Free Trade Agreement with the United States took effect on January 1, 2004. Additionally, Chile has signed Free Trade Agreements with Canada, Mexico, and most recently in November of 2005, with China.

Chile's banking center is considered one of the most stable and solid systems in the world. There are currently twenty-five banks in Chile, one of them the state-owned (El Banco Estado). The process for foreign investment in Chile is very transparent and easily navigable.

Chile's immense coastline, claims to three islands off their coast, and borders on the Atlantic Ocean give them a tremendous maritime claim. Their exclusive economic zone extends for the maximum 200 nautical miles allowed by the United Nations Convention on the Law of the Sea.

Ethics

Ethical behavior is something taken very seriously in Chile. Chile's conservative background and its economic success have let it to recognize and promote transparent economic policies. According to the 2005 Transparency International Corruption Perceptions Index, Chile ranked 21st, with a score of 7.3 (Transparency International, 2005). It tied in this ranking with Japan, and was just a few rankings behind the United States. This ranking makes Chile the least corrupt country in South America.

Business Culture

Chileans tend to be conservative businesspeople, and negotiations will more than likely take several visits. It is important when doing business to begin with third party introductions. This is often an important prelude to business in Chile. First-time greetings between both men and women should include a firm handshake while maintaining eye contact. Between friends, a woman and a woman or a woman and a man may touch cheeks and kiss the air. Abrazos (hugs) are only given between very close friends; men never kiss each other's cheeks. Beyond the greetings, Chileans are warm and friendly, often speaking with a great deal of physical contact (Cannon, 2003).

When making appointments, a Chilean businessperson's secretary or personal assistant will likely make the meeting arrangements. The assistants generally control who gets access to their bosses, and so it is very important to treat that person with respect. It is recommended that meetings be scheduled two to three weeks in advance for mid-morning or late afternoon.

Appointments must be confirmed prior to departure and upon arrival into Chile. Guests are expected to be on time for appointments, but hosts may be 15-30 minutes late. Generally, Chilean business hours begin at 9:00am until 5:00pm with a two hour lunch break from 12:00pm-2:00pm in the afternoon. The most popular vacation months for Chileans are January and February, as that is the height of their summer. Therefore, trying to conduct business during this time period will more

than likely take extra time and may prove very inefficient (Cannon, 2003).

Conservative dress is appropriate in Chile. A dark suit – for both men and women – will be best received. Business casual dress will generally not be well received, as some may consider it too informal. Dressing well is considered a sign of respect to business partners. Business visitors should avoid wearing bright colors and excessive or expensive jewelry that may attract unwanted attention. It is better to “blend in” with dress than stand out. Some will consider individuality in wardrobe to be vain and self-centered. Dressing like respective Chilean counterparts will promote a level of comfort that will lead to better business relationships and friendships.

Topics of conversation should focus on the hosts and their interests. Although family is very important to Chileans, outsiders should avoid prying extensively. Chileans are very patriotic, and so talk of positive aspects of their history, economy, and their impressive geography are all good topics of conversation. Many Chileans have a love for the arts, travel, and wine; Chileans travel extensively, are very knowledgeable about the history of other countries, and produce some of the best wine in the world. Visitors must take care not to make any negative comments about Chile, even if the hosts are doing so; they are fiercely patriotic. Discussions about Argentina should be avoided, as the history between the two has included a great deal of conflict. Talk of Bolivia and Peru will also not be very well received, as there has been a good deal of conflict with these countries and Chile as well. For Chileans, interruptions in conversations indicate interest and are not considered rude (Economic and Community Development Department, 2003).

Gift giving is not expected until the business relationship becomes close. Then, gifts should not be expensive, as this could be perceived as a bribe. It is appropriate when going to a Chilean’s home to give flowers and chocolate to the hostess. Do not give yellow roses, which symbolize contempt, or purple or black flowers, which stand for death.

Several business meetings will most likely need to take place before anything is finalized. Make sure business cards are printed in both English and Spanish, and that the card is well preserved. Taking good care of the business card symbolizes future relations with that business. The importance of “fitting in” and maintaining good relations with a group are vital to the success of the negotiation. It is important to understand that there is a hierarchical order to Chilean society, and decisions are made at top levels. Chilean businesspeople are more efficient than most other Latin American countries, and so work will be smooth and more quickly accomplished than in other countries. Avoid aggressive business strategies, as they will not be well received. Kindness is championed in Chilean society, and empathizing with those less fortunate will be positively viewed (Cannon, 2003). Bargaining does not take place with Chilean vendors, and it is illegal not to give a receipt for every purchase. (Economic and Community Development, 2003)



PARAGUAY



Introduction (Geography & Climate)

One of only two land-locked countries in South America, Paraguay is located in central South America, sharing borders with Argentina (1,880 km), Brazil (1,290 km), and Bolivia (750 km).



The climate is sub-tropical, experiencing some of the hottest temperatures in South America during the summer months. The winters are generally mild without much freezing.

Paraguay is almost equal in size to California and is geographically divided into two distinct regions by the Río Paraguay. Located to the north of the Río Paraguay, the northwestern region is very flat, with the

northernmost regions belonging to the Chaco, a semi-arid desert. In the Chaco, there is little vegetation; at best some scrawny bushes and thick brambles will block the way. This northern region is sparsely populated due to its unforgiving conditions and few river ports.

The southern region, located south of the Río Paraguay, is more lush, with foothills along its eastern border leading up into the Brazilian hills. There are many rivers located in this southern portion, the most important being the Río Paraguay and the Río Paraná, which form part of the border with Brazil and Argentina. These rivers are an important element to the economy of Paraguay. Some of Paraguay's natural resources include hydropower, timber, iron ore, manganese, and limestone.

Background

Paraguay was first explored by the Spanish in the 16th century. During the 17th and part of the 18th centuries, Paraguay was an often-overlooked possession of the Spanish empire. Originally part of the Viceroyalty of Peru, with its capital in Lima, it came under the control of the Viceroyalty of Buenos Aires in the mid-1700s, with its capital located in Buenos Aires. Paraguay claimed its independence in May of 1811 from Spain, making it the second oldest country in the Southern Cone (next to Chile, who declared its independence in September of 1810). Although Paraguay has had very few incidences of civil unrest in comparison with other South American countries, its history has certainly not been peaceful. Under President Francisco Solano López, Paraguay initiated the War of the Triple Alliance (1865-1870) against Brazil, Uruguay, and Argentina. This disastrous war ruined Paraguay economically, militarily, and in nearly every other respect. The population of Paraguay pre-war was about 525,000 people; post-war the population decreased to 215,000. The country lost over a generation of young people, and this loss caused ruin that the country would still be recovering from many years later.

The Chaco War took place from 1932-1935 on the brink of World War II. The Chaco War against Bolivia was more of a success for Paraguay than the previous war, allowing them to retain 2/3 of the area known as the Chaco, which already had strong Paraguayan ties. One of the bloodiest wars in South America, the Chaco war once again debilitated the already weak Paraguay. A thirty-five year dictatorship under Alberto Stroessner was overthrown in 1989, and fairly free elections have taken place ever since.

The late 20th century has seen the rise of the black market, especially in the tri-border region with Argentina and Brazil. Corruption, piracy, and counterfeiting of nearly every good available are commonplace in Paraguay. This black market has recently come under increased scrutiny from the United States, Argentina, Brazil, and other Latin American countries.

One of the most unique things about the Paraguayan flag is that it is different on either side. On the front side of the flag, the seal bears the national coat of arms, which is a yellow five-pointed star within a green wreath capped by the words “República del Paraguay.” The reverse side bears the seal of the treasury, which is a yellow lion below a red Cap of Liberty and the words “Paz y Justicia” (Peace and Justice) capped by the words “República del Paraguay.”

Demographics

The population of Paraguay was estimated in 2005 at 6.35 million people, growing annually at 2.48%. This growth is the highest in South America, with an average of four children born per woman. The majority of the population is located in the southern half of the country, and the median age in Paraguay is fairly young, at only 21.2 years. Paraguay’s population is primarily classified as 95% mestizo, a Spanish and Amerindian mix, and 5% minor ethnicities. A large indigenous presence is also easily seen with the Guaraní Indians. This is also unique to its Southern Cone Neighbors, eluding much of the European influence and heritage which are easily seen in other Southern Cone countries (Central Intelligence Agency, 2006).

Like most of South America and the Hispanic world, Paraguay is primarily Roman Catholic. Although one will find nearly 90% of the country to be Roman Catholic, almost 10% of the country is Mennonite or other religions. The population is also less literate than its neighboring Southern Cone countries, with a literacy rate of only 94% (Nationmaster, 2006).

Language

Paraguay has two official languages, Spanish and Guaraní, although many of its citizens can understand and speak more than these two languages. In business dealings and in the metropolitan area of the capital city of Asunción, Spanish is most commonly used. However, Guaraní, which has its roots in the indigenous people, is more common in the countryside and in lower social

classes. One source even says that Paraguayans prefer to speak Guaraní (Paraguay Background Info, 2006).

Like its neighboring countries, Paraguay came under European influence (albeit to a lesser extent), and it is not uncommon to find someone who may be able to understand or speak German, French, or Italian. Many citizens can also understand and speak English.

Government Structure

The Republic of Paraguay is classified as a constitutional republic and, as such, has many democratic characteristics. Paraguay's government has three branches, similar to that of the United



States: the executive, legislative, and judicial branches. The executive branch is headed by the President of the Republic elected by the people to serve for five year terms. A vice president and a cabinet of fourteen ministers and eight secretaries report to the president. The current president is President Duarte (at left), who came to power in 2003.

The legislative branch is comprised of a Chamber of Senators and a Chamber of Deputies. The Chamber of Deputies is composed of 80 members, and the Chamber of Senators has 40 members. The elections for the members of these chambers coincide with the presidential elections every five years; these offices are directly elected by the people. As such, the current legislature was also elected in 2003 and will serve until 2008.

The judicial branch is topped by the Supreme Court in which judges are appointed upon approval by the Council of Magistrates. Traditionally looked upon as weak and ineffective, it is unable to enforce many of the laws desperately needing enforcement. In recent decades, corruption has become a major issue for the government of Paraguay. Corruption scandals in the early 2000s

effectively froze funding from the International Monetary Fund (IMF) to improve much needed infrastructure problems. The judicial branch has made some strides in recent years toward improving transparency and gaining credibility, although its teeth are still relatively dull.



The country is divided into eighteen departments and one capital city (Asunción): Alto Paraguay, Alto Paraná, Amambay, Asunción, Boqueron, Caaguazu, Caazapa, Canindeyu, Central, Concepción, Cordillera, Guaira, Itapua, Misiones, Neembucu, Paraguari, Presidente Hayes, and San Pedro. These divisions can be seen on the map.

Suffrage is universal and compulsory

until the age of 75.

There are at least six political parties in Paraguay: Asociacion Nacional Republicana - Colorado Party (ANR), Movimiento Union Nacional de Ciudadanos Eticos (UNACE), Patria Querida (Beloved Fatherland Party) (PQ), Partido Encuentro Nacional (PEN), Partido Liberal Radical Autentico (PLRA), and the Partido Pais Solidario (PPS).

Transportation & Communications

Paraguay has 878 airports, placing it behind only nine other countries in the world for most number of airports. Paraguay has only one international airport, Silvio Pettirossi International Airport, located just outside of Asunción. Flights into Asunción arrive from several South American countries, as well as from the United States and the European Union. Unlike some of its South American neighbors, Paraguay does not have any public rail traffic. All 470 km of railway is

privately owned. Roads are generally in a good condition, although potholes are a major problem in Asunción and other major urban centers. There is currently a large government program underway that will update and repair many of those roads (Nationmaster, 2006).

As one may expect, rivers play an important role in the transportation of people and goods in the country. The Río Paraguay and the Río Paraná play host to four Paraguayan ports, helping facilitate the traffic of people and goods. Some travel sources estimate it is just as fast to take the river in some cases as it is to take a road. Paraguay owns twenty-one marine vessels, all for use on their rivers (Central Intelligence Agency, 2006).

Communications in Paraguay are surprisingly good. Phone lines snake across the countryside, although cellular technology is by far more popular than landlines. Only 4% of the population (about 250,000) people have a land-line telephone. In great contrast, however, 28% of the population (about 1.77 million) has a mobile phone. This means that there are nearly seven mobile phones for every land-line telephone. One source recommends if businesspeople are in Paraguay for a short time on some business, they should just buy cellular phones for the few days they are there. The technology is readily available in metropolitan Asunción, although it may be pirated technology. As of 2003, there were a reported 150,000 internet users in Paraguay, a very small 2% of the population. It is reported that the internet is readily available in most major urban

centers (Nationmaster, 2006).



Capital City

The Paraguayan capital city of Asunción has a long history. Located along the southern border with Argentina on the Río Paraguay, the

city was founded in 1537 by Spanish explorers fleeing their settlement of Buenos Aires. After the first founding of Buenos Aires, the indigenous people attacked and destroyed the settlement, forcing the Spanish to flee. They fled up the Río Paraná and the Río Paraguay and founded Asunción on Ascension Day, a Christian holiday. Asunción served as the seat of governance for the Spanish Viceroyalty of La Plata until 1776, at which time it was moved to the previously destroyed city of Buenos Aires. Asunción was an important city during colonial times, as Spanish conquistadors would use the city as a base. Many important South American cities were founded from expeditions starting at Asunción, including the second founding of Buenos Aires.

Metropolitan Asunción boasts over 1.5 million residents, housing nearly 25% of the population. As the country's most populous city, it is a hub for modern Paraguay (Asunción – Paraguay, 2005). It also serves as the seat of the government, with all three branches located here. Many modern amenities are readily available in the capital. A bus line is available in parts of the city, and there is a river terminal delivering passengers and goods up and down the river.

Economy

According to 2005 reports, Paraguay's GDP was US\$31.79 billion. Its per capita GDP is US\$4,900, making it the poorest nation among the Southern Cone countries. Unfortunately, GDP levels have stagnated at 1980 levels. From 1995-1997, Paraguay experienced a slight 3% economic growth, followed by a period of near-zero growth until 2001. In 2002, the economy sank 2.3%, due to the outbreak of hoof and mouth disease, returning it to 1980 levels. Since then, the Paraguayan economy has experienced modest growth each year. Unemployment is reported at 16%, although some accounts speculate it could be as high as 40%. Many speculators attribute Paraguay's poor economic performance to rampant corruption, political uncertainty, outstanding debt, and infrastructure problems. (Central Intelligence Agency, 2006)

The economy is driven by agriculture, with about 45% of the eligible labor force (2.68 million) reporting careers in the agricultural sector. Among the principal agricultural products are cotton, sugarcane, soybeans, corn, wheat, tobacco, beef, and pork. Although 45% of the labor force works in the agricultural sector, the sector comprises only 27.5% of the national GDP. Services contribute the most, with nearly 49%. Other principal industries of the country include textiles, wood products, steel, and electric power. Paraguay is a very large producer of hydroelectric power, annually producing about 52 billion kWh, and consuming only 3.5 billion kWh annually. Much of this electricity comes from the hydroelectric power generated by a joint dam with Brazil on the Rio Paraná (Central Intelligence Agency, 2006).

Because Paraguay is a land-locked country, exporting and importing goods becomes a little bit of an issue. Paraguayan exports amount to a mere 10.13% of the GDP. Among its leading export partners are Brazil, Uruguay, Argentina, and Switzerland. In 2005, there was a US\$170 million trade deficit, with Paraguay importing some US\$3.8 billion of goods from its primary import partners of Brazil, Argentina, China, and the United States. Currently, Paraguay has arrangements with several countries to use their ports as Paraguayan free trade zones (FTZs). These arrangements exist with the Brazilian ports of Paranagua and Santos, the Uruguayan ports of Montevideo and Nueva Palmira, the Argentine ports of Buenos Aires and Rosario, and the Chilean ports of Iquique and Antofagasta (Central Intelligence Agency, 2006).

The numbers reported for Paraguay's economy are often looked upon with some skepticism, as the illegal "black/grey" market in Paraguay is enormous. On paper, agriculture is the largest sector of the Paraguayan economy. However, the black and grey markets (illegal) drive a large section of the economy that leads to many issues with corruption and transparency. The scandals early in the century could be blamed partly on the large underground market (Sciscioli, 2006).

Ethics

Paraguay is considered one of the most corrupt countries in the world. In 2005, Paraguay scored a record low 2.1, earning a ranking of 147/159 (Transparency International, 2005). Countries in a similar position to Paraguay include Nigeria, Turkmenistan, the Sudan, and Pakistan.

Paraguay suffers from rampant piracy of everything from intellectual property to luxury items like Mercedes Benz. This piracy is supported by government corruption, an ineffective judicial system, weak enforcement of existing policies, and a population suspected of serving as a haven for terrorists. Although a fairly small country, Paraguay competes with some of the world's leading exporters of pirated goods, including China, Taiwan, and Macau. It is estimated that piracy and counterfeiting in Paraguay costs the United States nearly US\$300 million each year (Edelman, 1999). In addition, the troublesome tri-border area with Brazil and Argentina, focused on Ciudad del Este, is a haven for transnational shipments of illegal narcotics, weapons, counterfeited and pirated goods, and money laundering.

Such conditions stifle local business and scare off foreign investors. Major reforms, along with greatly improved enforcement, will be needed if Paraguay is to solve its troubling corruption and piracy problems.

Business Culture

When meeting a man or a woman, a visitor should always shake hands, even if they met earlier in the day. Showing respect is very important in business dealings. Paraguayans kiss family and friends once on each cheek when meeting (Bosrock).

When doing business in Paraguay, it is very important for one to be on time. However, this does not mean that one's host is required to be on time. The host will most likely be 20-30 minutes late for the meeting, which should be expected. It is not looked on as rude; it is just the way of

doing business in Paraguay (Bosrock).

Paraguayans dress conservatively. Men would do well to wear dark suits, and women should wear suits or dresses. Appearance is very important to the way business people perceive visitors. Even the lower social classes are clean and very well groomed. As in almost all South American countries, good posture is very important. It shows that one is self-confident, and that one has respect for their surroundings. Visitors should never prop their feet up on any furniture as this can be considered rude (World Travel Guide, 2006).

Topics of conversation should avoid local politics. It is important to make a personal connection with Paraguayan counterparts. Connections are more important than expertise, and an attempt to move the conversation on before some obligatory “small talk” may result in more difficult negotiations. The pace of business is a bit slower in Paraguay, so visitors should be prepared to spend a little bit more time in a business meeting that is going well. It is recommended that a third party be present for the negotiations to assist with translating, and to ensure a smooth business transaction (World Travel Guide, 2006).

Gifts are accepted as general practice in both personal and business relationships. It is important to give gifts of a high quality as this will greatly impact others’ perceptions. In business relationships it is appropriate to give pens and gifts from one’s home region. However, if the gift displays the company’s logo, make sure it is discreet. Gifts with prominent and “loud” logos are not as well received. When invited to a Paraguayan household for dinner and in personal situations, it is appropriate to give the hostess chocolates and/or flowers (Bosrock).

Business hours are usually conducted in the morning until the noon hour, when employees go home for lunch with their families. Lunch is the largest meal of the day and is usually followed by an hour-long nap. Businesses then reopen in the afternoon and stay open until around 7:00pm

most nights. A social engagement is more likely to begin an hour and a half late, and dinner is not usually served until 10:00pm. It is not acceptable to talk of business during meals, unless the host brings it up (World Travel Guide, 2006).

Visitors must not take any pictures of military facilities, objects, bridges, etc. Officials will confiscate cameras, and the offender may be thrown in jail, as this is a very sensitive issue (Bosrock).



URUGUAY

Introduction (Geography & Climate)

The second smallest country in South America, Uruguay shares borders with Brazil (985 km) and Argentina (579 km). Sandwiched between these two giants of South America, Uruguay also borders the Southwest Atlantic Ocean and the Río Plata. Unlike other South American countries, the country is characterized entirely by its rolling hills and low coastal flatland. Uruguay has no mountains, and its highest point is Cerro Catedral at a mere 540 km.



The country has a temperate climate that rarely sees any freezing temperatures. However, during the winter months, the lack of natural geographic barriers permits cold winds from the Argentine pampas to continually blow over the country. “Cities have spacious green areas and because of the continuity of the winds and the lack of pollutant industries, there is hardly any environmental pollution” (Discover Uruguay, 2006).

Uruguay began with the founding of Montevideo, currently the nation’s capital, in 1726 by the Spanish as a strategic military stronghold. The area that currently contains Uruguay was under the control of the Viceroyalty of Buenos Aires, belonging to the Spanish. Uruguay was annexed as a province by the Empire of Brazil in 1821. Four years later, in 1825, Uruguay declared its independence and fought a three-year war to secure its independence with help from Argentina, ending in 1828.

The young and fragile independence of early Uruguay was threatened several times during the mid-19th century by the military of Brazil and Argentina. This helped to create two warring political parties called the Blancos and the Colorados, which are still in existence today. Uruguay was involved in the War of the Triple Alliance between 1865-1870 as an ally with Brazil and Argentina against Paraguay.

The early part of the 20th century saw many reforms for the Uruguayan government, but during the 1960s, the Tupamaros group (a violent Marxist guerilla movement) was started, and in 1973 the president was forced to agree to military rule to be rid of the Tupamaros. Military rule lasted until the mid 1980s, when Julio Sanguinetti won the presidential election of 1984. He promised a return to democratic traditions and fostered a process of national reconciliation with the past.

The flag of Uruguay has nine horizontal stripes with a sun in the upper left-hand corner. The nine horizontal strips represent the nine original Uruguayan counties. The white color represents peace and honesty, while the blue represents the sky and coastal waters, as well as truth and loyalty, perseverance and justice. The sun is called the Sun of May because of its human face, and it has sixteen rays coming out of the sun; it represents freedom and independence.

Demographics

The population of Uruguay was about 3.4 million in 2005 with the median age falling at about 32 years. Uruguay experiences very slight population growth, at 0.5% annually, smallest of all its Southern Cone neighbors. On average, there are about two children born per woman in Uruguay. The population overwhelmingly comes from European descent, and is ethnically characterized as being 88% white, 8% mestizo, 4% black, and a negligible percentage of Amerindians. Unlike other South American countries, Uruguay no longer has any indigenous population, as they were displaced

during colonial times (Nationmaster, 2006).

Most of the country's population considers itself to be middle class, which is unusual for a South American country. In fact, Uruguay has one of the most equal income distributions in South America, especially in comparison with its other Southern Cone neighbors. On the Gini Index, Uruguay scores a 44.5: the United States scores a 45 (Central Intelligence Agency, 2006).

The population takes education very seriously, and as a result has one of the best educated workforces in South America. The literacy rate is 98%, which is close to its other Southern Cone neighbors, but higher than much of the rest of South America (Central Intelligence Agency, 2006). The people have a pragmatic and materialistic approach to life, and seem to have an inherent trust in people (Bosrock).

Uruguay is perhaps the most unique country among the Southern Cone countries in that only 66% of the population claims to be Roman Catholic. Less than half of that population goes to church on a regular basis. In an area of the world in which Roman Catholicism had such a strong hold at one time, this trend comes as a bit of a surprise. About 31% of the population is non-professing or some other religion, while 2% claims to be Protestant, and 1% Jewish (Nationmaster, 2006).

Language

The people of Uruguay can be found speaking at least three different languages on a regular basis. Spanish is the official language of the country, but one will also find Protunol and Brazilero spoken. Brazilero and Protunol are both a Spanish-Portuguese mix that is used close to the borders. They are often categorized as dialects because they occur when a Spanish-speaker with no formal schooling in Portuguese tries to speak Portuguese, and vice versa. Due to its proximity and history as a province of Brazil, Portuguese can easily be found in Uruguay alongside a smaller percentage of

English and other European languages.

Government Structure

The Oriental Republic of Uruguay (La República Oriental de Uruguay) is a constitutional republic founded in 1825 when it declared its independence from Brazil. There are three branches of the Uruguayan government: the executive, legislative, and judicial branches of the government.

The current President of the Republic is Tabaré Vazquez, who was elected to office in March of 2005. The president serves not only as the Head of Government, but also the Head of State, as is common in almost all Western Hemisphere nations, including the United States. The president is elected every five years, and the next vote will take place in October of 2009, to begin the new presidency in 2010. The president runs on the same party ticket with the vice president. The president's cabinet is comprised of 13 ministers appointed with parliamentary approval.



The legislative branch is made of two houses: the Chamber of Senators and the Chamber of Representatives. The Chamber of Senators has 30 members, and the Chamber of Representatives has 99 members. These general assembly members are also elected for five year terms and are on the same voting schedule as the executive branch. The next elections will be held in October of 2009.

The judicial system has a Supreme Court in which justices are nominated by the president and then approved by the general assembly for 10-year terms. There are also Electoral, Administrative, and Military Courts as well as Courts of Accounts, all of which fall outside of the jurisdiction of the Supreme Court. One of the very unique things about the judicial branch of the

government is that it accepts compulsory ICJ (International Court of Justice) rulings. This means



that if a case involving Uruguay comes before the ICJ, the country must follow the ruling of the International Court over its own courts.

The country is divided into nineteen departments (departamentos): Artigas, Canelones, Cerro Largo, Colonia, Durazno, Flores, Florida, Lavalleja, Maldonado, Montevideo, Paysandú, Río Negro, Rivera, Rocha, Salto, San José, Soriano, Tacuarembó, and Treinta y Tres.

Voting is compulsory and universal suffrage is available to every person over the age of 18.

Uruguay has South America's oldest two-party system. There are more than eight political parties in Uruguay, including the Colorado Party, Independent Party, Movement of Popular Participation (MPP), National Party (Blancos), New Sector/Space Coalition (Nuevo Espacio), Progressive Encounter/Broad Front Coalition (Encuentro Progresista/Frente Amplio) (EP-FA), Socialist Party of Uruguay (Socialists), and the Uruguayan Assembly (Asamblea Uruguay). The two main parties are the Colorados and the Blancos, who have alternated power for the past 150 years.

Transportation & Communications

"Uruguay's small size and relatively flat terrain have made the development of an excellent transportation network easy" (Uruguay – Transportation and Communication, 1990). Highways have proved to be the most effective and desirable mode of transportation, with one of the best highway systems in South America. The country has about 8,500 km of roads, 8,000 of which are paved, a higher percentage than another other country in South America. Foreigners are allowed to rent cars, and United States driver's licenses' are accepted. Additionally, buses and taxis are widely

used and deemed as a very effective mode of transportation within the country. Uruguay has two international airports, the major airport, Carrasco International Airport, located in Montevideo. Capitán Curbelo Airport, close to Punta del Este, also handles international flights to Brazil and Argentina. Uruguay's national airline, *Primeras Líneas Uruguayas de Navegación Aérea (PLUNA)*, operates out of these two international airports as well as many of the other 62 airports located in Uruguay (Nationmaster, 2006).

The majority of commercial transportation and trade takes place on Uruguay's waterways. Uruguay has nine major ports located on the Atlantic Ocean, the Río Plata, and the Río Uruguay. The country's main port is located in Montevideo. Passenger transportation is available between Uruguayan cities on the Río Plata, and to Argentine cities on the Río Plata, including its capital, Buenos Aires. Railway transportation is negligible and within recent years, over 460 km of railway track has been disassembled. Of the remaining 1,613 km, 460 km is only in partial use (Central Intelligence Agency, 2006).

An electric trolley system was at one time in operation in the capital city of Montevideo but was allowed to



decay. Plans have been approved for a metro system that would include three underground lines and one above-ground line.

In a trend opposite that of its other South American neighbors, Uruguay has more telephone landlines in use than mobile phones. This is due to the large US\$100 million expansion of the then-state owned telephone system during the early 1990s. Nearly 1 million people (about 30%) of the

population owns land-land telephones, while a mere 19% of the population (652,000) own mobile phones. As of 2004, there were reported to have been over 680,000 internet users (19% of the population) (Nationmaster, 2006).

Capital City

Montevideo was established as a military fort by the Portuguese in 1717 and later founded



by the Spanish governor of Buenos Aires in 1726 to secure the area against Portuguese invasion. Founded as San Felipe y Santiago de Montevideo, it served as a strategic military fort during the colonial fight over modern-day Uruguay. During the early 19th century, the city changed often hands between Argentina and Brazil.

It is located on the Southern coast of the country along the Río Plata. It is consequently just across the river from the Argentine capital of Buenos Aires, and ferries between the two capitals are quite common. It is the second most secure capital city in the world after Tokyo.

The largest city in Uruguay, Montevideo has a metropolitan area population of over 1.8 million, constituting over half of the country's population (Montevideo, 2004). Montevideo serves as the economic and cultural center for the country, as well as the seat for the government. The city is the center for the country's important wool processing industry, as well as the main port for most of the South Atlantic fishing fleet.

Today, Montevideo is a modern capital important to the economy of South America. Its white sand beaches, luxurious hotels, old city, and other tourist attractions make Montevideo one of

the most desirable vacation spots in South America for tourists from all over the world.

Economy

Uruguay's economy has historically been fairly well off. It is driven by its export-oriented agriculture sector, supplemented by an educated workforce. It is reported that the annually GDP of Uruguay is US\$54.58 billion with a per capita GDP of US\$16,000. As Uruguay is such a small country, it is greatly affected by the economic well-being of its two large neighbors, Brazil and Argentina. From 1996-1998, Uruguay was averaging a 5% annual GDP growth rate. However, from 1999-2002, the Uruguayan economy took a sharp downturn, with the total GDP falling nearly 20%, with unemployment rising to around 20%. This has been blamed on the depressed economies of Brazil and Argentina and the outbreak of foot and mouth disease among livestock. Because Uruguay does a great deal of trading with its neighbors, it is fairly easy to understand how this happened. Uruguay worked with their private creditors and cooperated with the IMF (International Monetary Fund) to successfully limit the damage to the country. As a result of this, the Uruguayan economy grew by nearly 10% in 2004, and subsequently has enjoyed annual growth of 6.1% (Central Intelligence Agency, 2006).

Aside from its agriculture, the principal industries of the country include food processing, electrical machinery, transportation equipment, textiles, and chemicals. Around 65% of Uruguay's GDP comes from the service sector, with only 7% coming from agriculture. The labor force of Uruguay is nearly 1.3 million people, and over 70% of them work in services. Current unemployment levels in Uruguay closely match the level of unemployment in Argentina at around 12% (Central Intelligence Agency, 2006).

Foreign trade plays an important role in Uruguay, as with other countries in the Southern Cone, but its importance is less. In 2005, Uruguay experienced a US\$10 million trade surplus, and

currently has about US\$3.5 billion in exports, accounting for a mere 6.4% of its GDP. Its main exports are livestock, wool, and leather products to its largest export partners, including the United States, Brazil, Germany, Argentina, and Mexico. Imports comprise about US\$3.4 billion and approximately 6.2% of national GDP. Imports include machinery, road vehicles, and crude petroleum from its largest import partners, including Argentina, Brazil, Paraguay, the United States, and China (Central Intelligence Agency, 2006).

Like Paraguay, Uruguay produces more electricity than it can use, and as a result, exports 900 million kWh. This electricity is usually exported to Brazil's cities of Rio de Janeiro and São Paulo, as well as Argentina's Buenos Aires (A Country Study, 2005).

Ethics

Uruguayans take ethical behavior more seriously than do Argentina and Brazil. According to the 2005 Corruption Perception Index published by Transparency International, Uruguay scored a 5.9 and ranked 32nd with Taiwan, Qatar, and Botswana (Transparency International, 2006). This ranking makes Uruguay the second least corrupt country in South America behind Chile.

Business Culture

Generally, greetings in Uruguay are warm and friendly and are accompanied by a firm handshake. Friends kiss once on the cheek when meeting. When walking on the street, visitors do not greet strangers, an action which may be misinterpreted, as strangers do not usually greet one another in Uruguay (Bosrock).

Appointments in Uruguay do not usually begin on time. Although the host may be twenty minutes late, it is important that the guest arrive on time. Meetings in Uruguay have a tendency to be extremely formal and may be conducted in English. However, it is a good idea to hire an interpreter to accompany one to the business meeting (Destination: Uruguay, 2006).

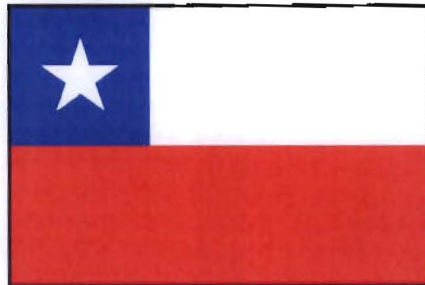
Uruguayans are very conservative in their approach to business and accordingly dress conservatively, much like other Southern Cone countries. It would be wise for a man to wear a dark suit with a tie, and it would be appropriate for women to wear blouses with dark suits, dresses, and skirts. During the summer months it is not appropriate for a woman to wear nylons, and if Uruguayan men remove the suit jacket and tie during the summer, visitors should follow their example. The bright colors found in other South American countries may attract unwanted attention and should be avoided (Uruguay, 2006).

When in conversation with a native Uruguayan, outsiders should be prepared for them to be very physically close. Uruguayans have a tendency to touch each other on the arm and shoulders when talking. The American "O.K." sign, is considered very rude. Popular conversation topics are Uruguay and politics. Uruguayans are very political people and will love to talk about politics. Importantly, do not confuse Paraguay and Uruguay (Bosrock).

Business people should be prepared to engage in some small talk before the actual business begins. Several meetings will need to take place before any business deal is finalized. Personal relationships are more important than the expertise that one may possess. Therefore, personal connections with respective counterparts are useful as are questions about family and home country. One may find overqualified people working in low-level jobs. This may be due to imprisonment, political party affiliations, or exile, all dangerous topics. The history of the Southern Cone countries has often been rocky, including the period of military rule in Uruguay. Business cards should be presented to everyone at meetings, with all printed in Spanish. Uruguayans will conduct business over lunch with no problem, but it is not acceptable to discuss business at dinners, which are meant for socializing. Only if the host initiates the talk about business at dinner is doing so acceptable (Bosrock).

Social engagements do not begin on time. Uruguayans generally eat dinner between 9:00pm-10:00pm. A dinner invitation for 9:00pm often means that dinner will be served at 10:00pm. Gift giving is not as important in Uruguay as it is in other parts of South America. Popular gifts include jeans from the United States, chocolates and/or flowers for a hostess, or regional mementos of the visitor's home country (Discover Uruguay, 2006).

Women will find doing business in Uruguay much easier than in much of the rest of South America. The *machismo* mindset is not as prevalent in the country, and men will actually look forward to doing business with a woman. Although it may be viewed as an advantage, a man's invitation to a business lunch should not be misinterpreted: he is not trying to seduce a woman he invites (Bosrock).



COMMONALITIES OF THE SOUTHERN CONE AND ITS FUTURE



Culture in the Southern Cone

To understand the similarities among the four Southern Cone countries, it is helpful to examine the work of Geert Hofstede. Hofstede is a well-known Dutch researcher who has dedicated his life to the study of different cultures. Widely used in the field of international business, his focus on the relationship between cultural variations and business management has helped him to win several awards; he is currently considered to be the top researcher in The Netherlands.

Hofstede's cultural dimensions are defined by four characteristics: power distance, uncertainty avoidance, individualism, and masculinity. Power distance measures the degree of equality or inequality within a country. Those countries that possess high power distance ratings have allowed a large income disparity to grow, thereby causing inequality among social classes to be considered acceptable. Therefore, countries with a lower power distance promote societal equality, resulting in a lower income disparity.

Uncertainty avoidance is the willingness of a society to accept change and tolerate ambiguity. Countries with high uncertainty avoidance maintain many laws and regulations, resulting in a high degree of government control. Societies in these countries are not tolerant of uncertainty and ambiguity, making it important to be precise and concrete in regards to the future. Methodical standard operating procedures and extremely precise contracts are common and well received. A low uncertainty avoidance indicates that ambiguity is much more acceptable and common practice. Business plans are likely to be less precise, and operating procedures are vague. Government controls in countries with low uncertainty avoidance tend to be low and take a more laissez faire approach to the business sector.

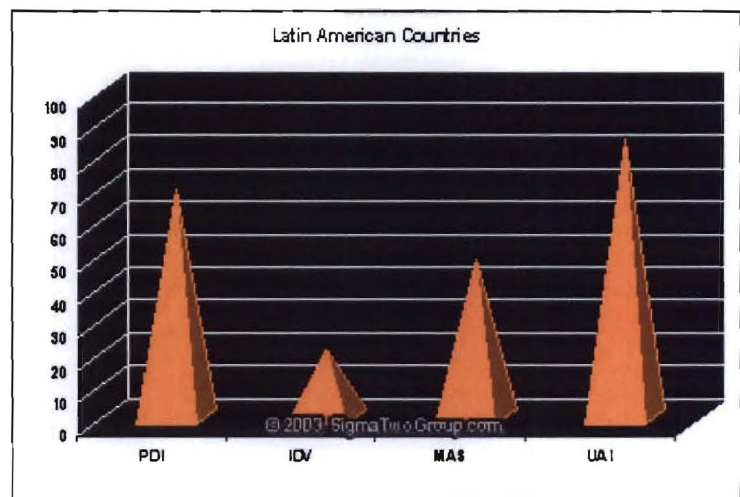
Individualism is a measure of the degree by which individual thinking and actions are

accepted in the society. A high degree of individualism indicates societal support for diverse opinions and individual rights. Countries with a low degree of individualism in turn support collectivism, in which the benefits of the society as a whole are more important than the rights or wants of the individual. In these countries, the government is responsible for responding to the collective need of the people.

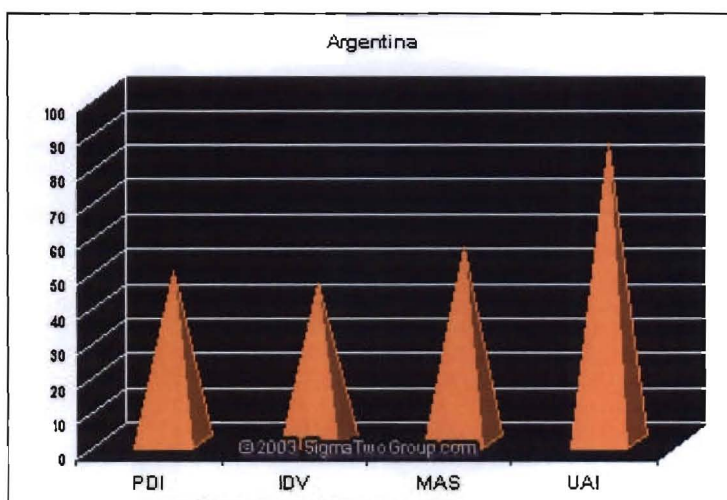
Finally, masculinity measures the traditional divide between gender relationships. In other words, this measure examines the gender disparity and how equally both sexes are treated in the society in question. Therefore, countries with a high masculinity measure generally have cultures in which the man plays a more dominant role in society. There is a high level of inequality in the way in which women are treated, in opposition to the role of the man in the family and in the country. Countries that have a lower masculinity measure have a more equal relationship between the genders. Women are equal on many more levels, have a much more important role in society, are active in government, business, and on many other fronts.

Latin America is known to have many of the same characteristics in relation to each other.

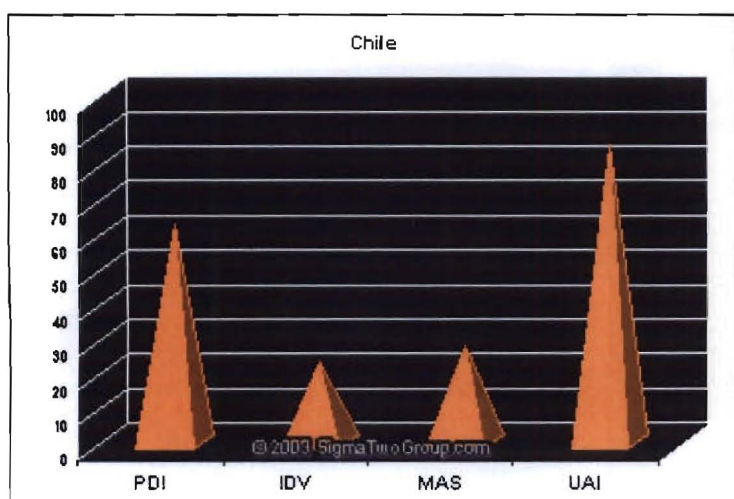
According to Hofstede, power distance in Latin American countries have a tendency to be high, meaning that there is a noticeable difference between social classes, and that income disparity has become a bit of an issue. Therefore, social classes and status are important, and so one should be cognizant of their company. Latin American countries have a low degree of



individualism, meaning that in general, they have a tendency to focus on the collective group, acting as a society instead of individuals. Masculinity, although not extraordinarily high, is higher than what we are used to in the United States. The degree of masculinity found in Latin America is strongly influenced by the machismo mentality of Latin American society, in which a man believes a woman's place is inferior to his. Finally the degree of uncertainty avoidance in Latin America is pretty high. Those in Latin America are not comfortable with ambiguity or uncertainty about the future. They would prefer to have a plan and to be informed of everything that will occur. This generally leads to more control by governments, which is demonstrated by the military rule that each of the countries has endured.



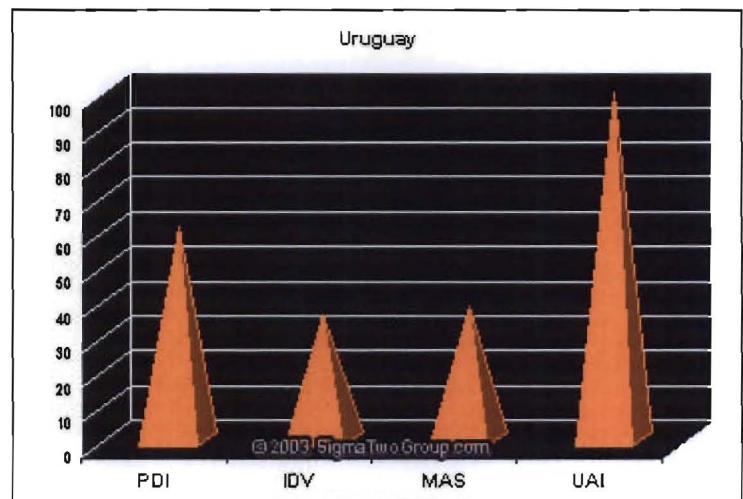
Argentina's measure of power distance is lower than that of general Latin America. This may suggest that there is not as great an income disparity and that more people see themselves as equals. The individualism measure for Argentina is significantly higher than that of the rest of Latin



America, suggesting a more individualistic approach to life and society. The masculinity measure is slightly higher than Latin America, in line with the machismo mentality. The measure of uncertainty avoidance in

Argentina is par for the course with the rest of Latin America, signaling that, like its neighbors, Argentines prefer a certain future. Hofstede's dimensions for Chile are very close to the average for Latin America. Chile has a moderate measurement for power distance, a low individualism measurement, and a high measure of uncertainty avoidance. The interesting aspect to note about Chile is that the masculinity measure is significantly lower than that of the Latin American average and in comparison to the other Southern Cone countries. Although the machismo mentality is still present, it bears little weight. This is supported by Chile's recent election of the first woman president of Chile, Michelle Bachelet. Women can be very successful in this society.

Uruguay has a higher power distance measure than Argentina, meaning the



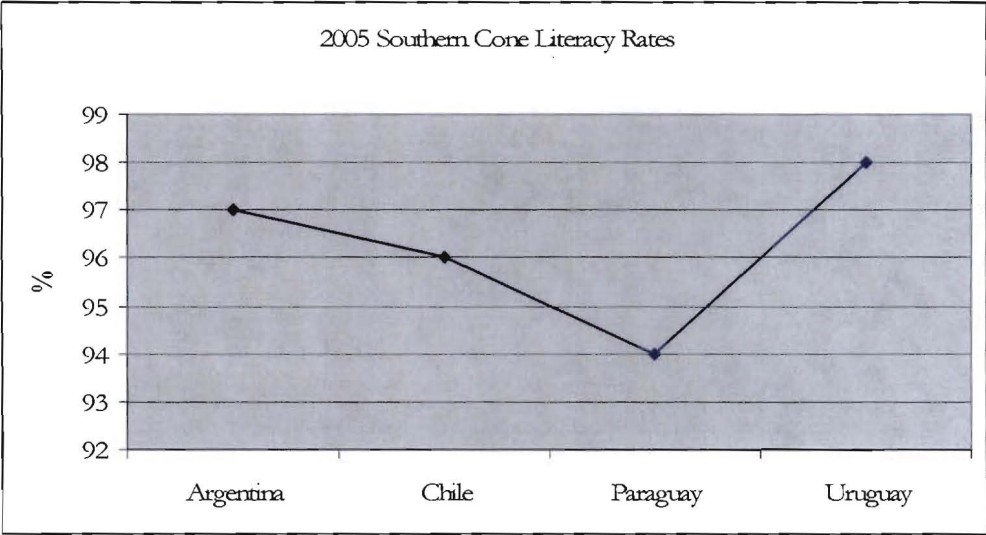
people put an even bigger impact on social classes. Additionally, Uruguay has the highest uncertainty avoidance in the Southern Cone, signaling that the society is not willing to accept change very easily. It also has a lower individualism measure, meaning that collectivism is the norm, and that individuals' opinions are not as readily accepted. One of the more interesting things to note, however, is that its masculinity index is lower than the average, signaling a weakening of the machismo mentality. As was stated regarding business culture in Uruguay, a woman is looked on with respect, and women should not find as many problems doing business here as in other Latin American countries.

In examining these research findings, it is important to note that Hofstede's dimensions for Paraguay are non-existent. If dimensions were to exist however, it would probably look very similar

to that of the averages for Latin America. Additionally, it may have a higher power distance measurement due to the low per capita GDP in the country and the reported black market economy. It also may have a higher measurement of masculinity, as educational levels are a bit lower, and because of the low per capita GDP.

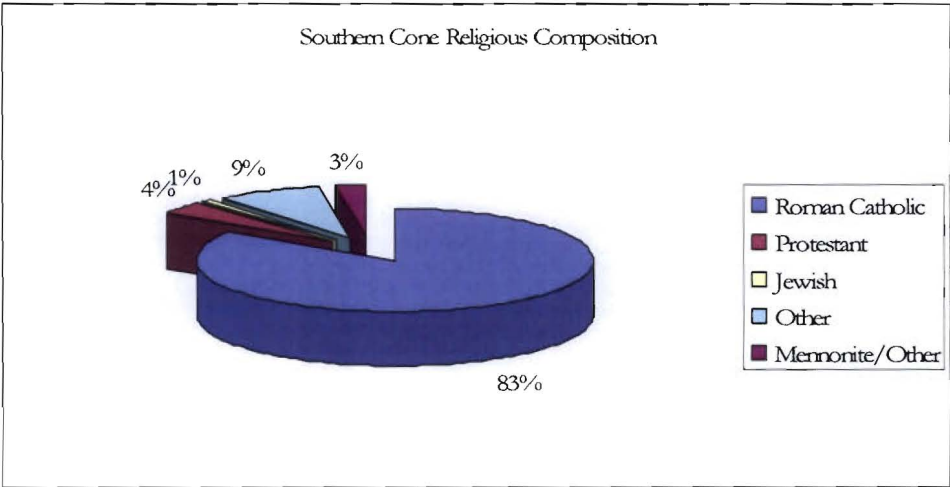
Demographic Impact

The educational level among the Southern Cone countries is an asset that will prove useful for the future of the Southern



Cone. Argentina and Chile have high literacy rates, at 97% and 96%, respectively. These rates contribute to an educated workforce, which contributes to the efficiency of high technology industry and a services-based

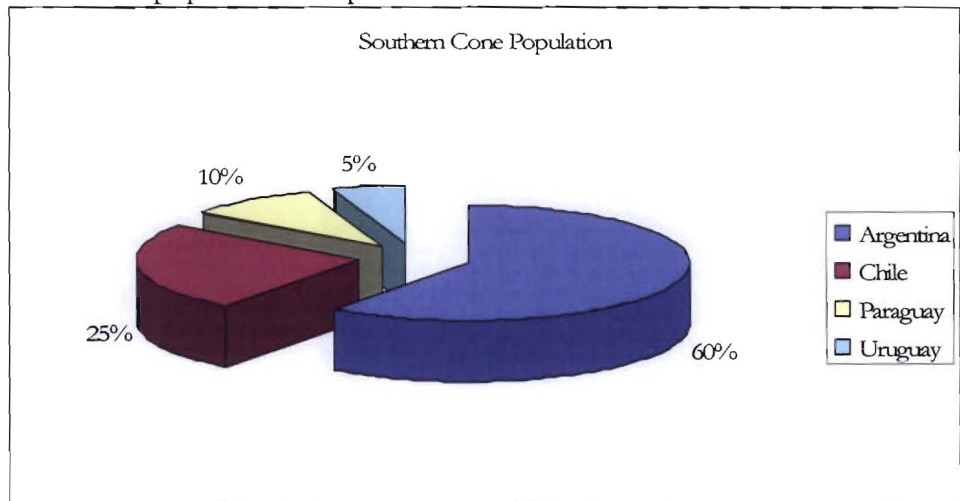
economy. The extremely high literacy rate of 98% in Uruguay is remarkable in comparison with that of other South



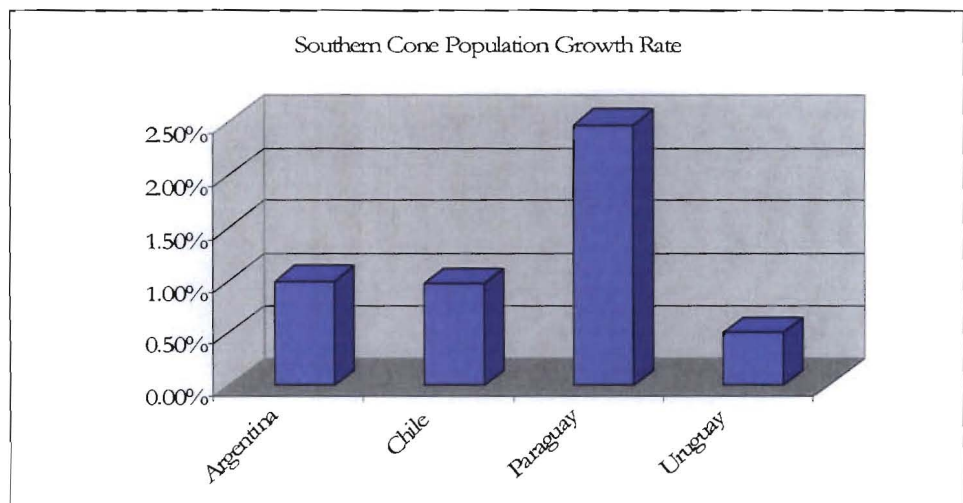
American countries. The literacy rate of Uruguay is the highest in South America. Overall, the average literacy rate of the four southern cone countries stands at 96%.

Religion is another aspect of the southern cone countries that has a tremendous influence on the populous and the business world. All of the countries in the southern cone are dominantly Roman Catholic, and there are few variations throughout all four countries. As a collective group, 83% is reported as being Roman Catholic, although a lesser number was actually reported as “actively practicing” the religion. Beyond Catholicism, about 9% of the population of the Southern Cone countries report to have other beliefs. The population of Uruguay is a significant contributor to this percentage, as 11% of their population is reported to be atheist. The reason these statistics are so important is

because religious beliefs have a tendency to have a great impact on societal behavior.



The population of all of these countries is, on average, fairly young. Paraguay and Uruguay seem to be at opposite



ends of the population spectrum. Uruguay has the highest median age among the cone countries with 32 years, and Paraguay has the low median age of 21 years. Similarly, the population growth rate of Uruguay is only .5%, while the growth rate in Paraguay is almost 2.5%. Paraguay's incredible growth rate is the highest in Latin America (Nationmaster). All of the populations in the Southern Cone have a positive growth rate, which, coupled with their low median age, will result in a "baby boomer" effect found in the 1960s/1970s in the United States. Overall, the population of the Southern Cone countries is growing at a rate of 1.24%. This rate is higher than that of the European Union and the United States.

Government

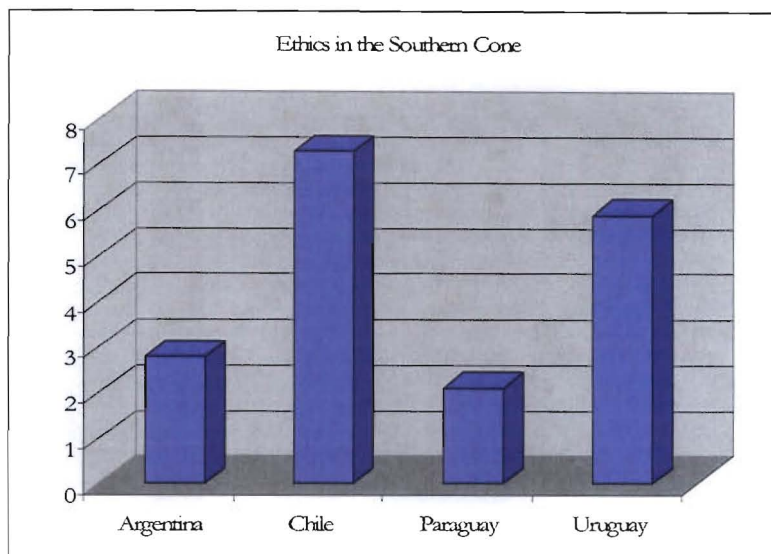
In addition to similarities in culture and in population composition, there are similarities among governance structures. All four countries have endured military rule and dictatorships. Among these include the twenty year rule of Gen. Augusto Pinochet of Chile, the numerous military regimes of Argentina led by the national army, the thirty-five year reign of Gen. Alfredo Stroessner of Paraguay in Paraguay, and the military rule against the Tupemoros during the 1970s and early 1980s in Uruguay. All of these countries have since established democracies. All of their government structures are comprised of an executive branch, legislative branch, and a judicial branch, all headed by a President that serves as both the Chief of State and the Chief of Government.

These young democracies have a great deal in common and hold similar beliefs. They all have voting that is compulsory and universal for those over the age of 18. This is unique from many countries in the world, but it is quite an accomplishment. As a result of this law, turnout for voting in Southern Cone countries is notoriously high, contributing to the interest the population has in government and politics.

Unfortunate commonalities among these Southern Cone countries are inefficient governments and a continuing need to work on increasing transparency and decreasing corruption within their governments. Chile has led the way on this front, earning the highest rating on the Transparency International corruption index with a 7.8, the highest in South America.

Uruguay is in the middle trying to make some changes with a 5.2, and Argentina and Paraguay are down towards the bottom, continuing to have some of the more corrupt

and transparent governments in the Southern Cone.



Business in the Southern Cone

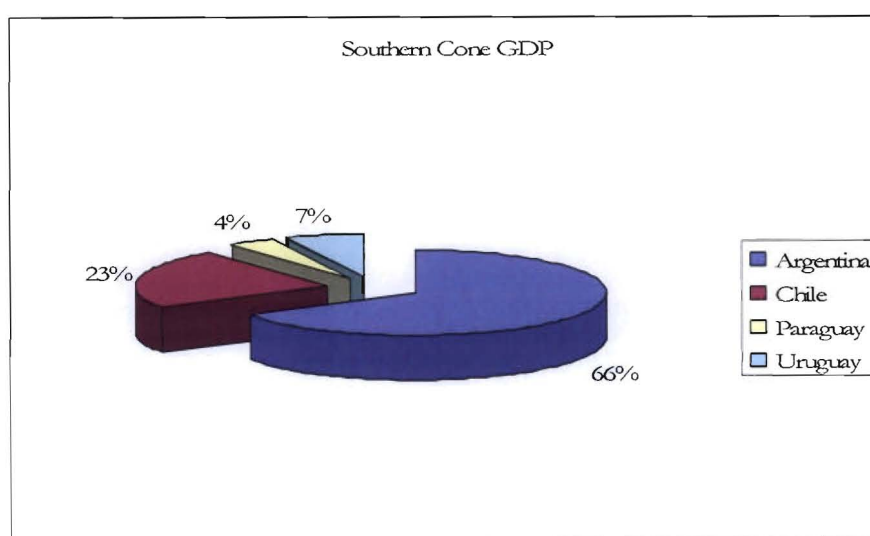
As has been demonstrated thus far, there are many commonalities among the countries of the Southern Cone. These commonalities extend to the business culture. Cultural similarities have been demonstrated through Hofstede's cultural dimensions. These cultural similarities and others demonstrated throughout this research play an important role in the business culture of the Southern Cone.

Certain aspects of the business climate in this region are common practice across countries. Generally speaking, these countries are conservative, so dress and behavior should reflect as such. There is a great deal of respect and importance placed on family, and it is a good idea for the businessperson to take a sincere interest in their counterparts' personal lives, as they will do the same. The people of the Southern Cone are notoriously late. When arriving at a meeting, the

foreigner is expected to be on time but should expect the host to be at least fifteen minutes late. For a social event, it is acceptable to arrive up to a half hour late, but expect hosts and other natives to arrive up to an hour late. When scheduling appointments, make sure the meeting is scheduled through the assistance of the target person. At the first business meeting, it is a good idea to bring an upper level company executive to introduce the negotiation team who will be regularly working with the host company. Afterwards, the presence of the upper level executive will not be necessary, but it shows a level of commitment on behalf of the company, and it will be received well.

In business negotiations, a businessperson must be cognizant of the company he/she keeps and should make certain that conversations are not offensive. Although these countries may have similarities, they also have their differences and respective cultures. It is important to recognize these differences, ask questions, and appreciate them. Also keep in mind that these countries have had a plethora of interaction among themselves ever since their beginnings. Recent interactions have been friendly, but there have also been several wars and minor conflicts among them as well. Although these conflicts have occurred in the past, keep them in mind, as many of the people in all four countries are fiercely patriotic and very proud of their country and heritage.

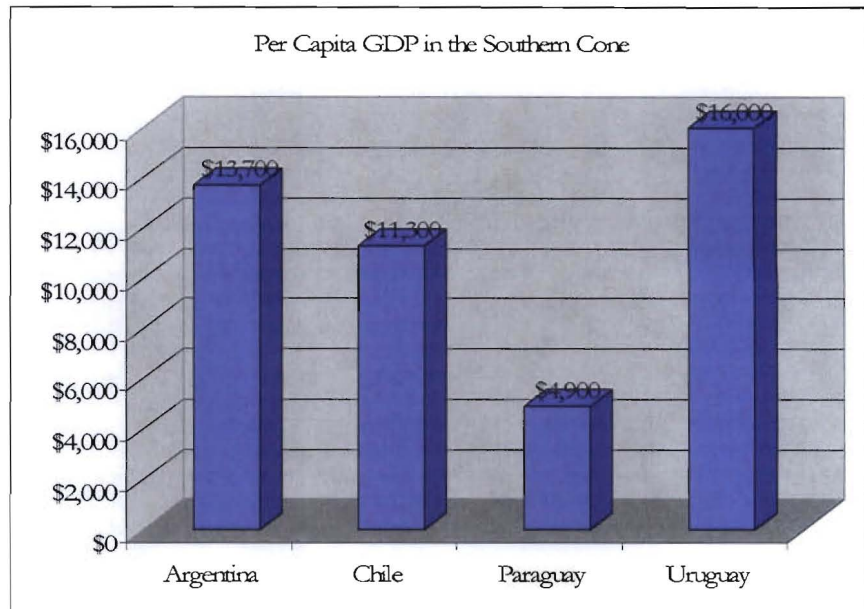
The most important part of business negotiations in the Southern Cone, however, is not actually the negotiations themselves. It is more important for those who



are doing the negotiating to get to know their counterparts and develop a relationship with them.

Personal relationships are essential to establishing and maintaining successful business relationships.

Improved business negotiations and relationships between Southern Cone countries and the rest of the world have resulted in the expansion of foreign trade and an increase in the Gross Domestic Products



of each country. Of the collective GDP of the Southern Cone, Argentina's economy dominates with the largest GDP at \$542.8 billion with Chile coming in second at \$185.1 billion. The smaller economies of Paraguay and Uruguay contribute a fair 15% of the collective GDP. The combined GDP of the Southern Cone countries stands at about \$814.3 billion, between 17th ranked Indonesia (\$901.7 billion) and 18th ranked Australia (\$642.1 billion) in the global economy (Central Intelligence Agency 2006). The GDP Per capita is more equal across the board, but again shows the economic problems that exist in Paraguay. The GDP per capita for Paraguay is at \$4900, while the other three countries are all above \$11,000.

Trade among the Southern Cone countries is of paramount importance and should continue to be in the future. During the twentieth century, especially during the 1960s and 1970s, Latin American countries, including those of the Southern Cone, had a tendency to follow protectionist policies that insulated inefficient national companies. In recent years, the Southern Cone countries

have really started to turn from protectionist policies to embrace the global market. In 1994, Brazil and Argentina founded MERCOSUR, an economic integration bloc including the founding members of Brazil, Argentina, Paraguay, and Uruguay. In 1996, Chile and Bolivia signed on as associate members. Since its inception, MERCOSUR has promoted trade among Southern Cone countries and has lowered tariff rates on 80% of the traded goods. By 2001, most of these tariff barriers were eliminated (Cason, 2000). In recent years, several agreements have been reached



between MERCOSUR and the EU regarding the reduction of non-tariff barriers, and work has begun on establishing a free-trade region between the two regional customs unions. MERCOSUR is currently stalled in negotiations with the European Union regarding the further reduction (and possibly elimination) of economic trade barriers. If a negotiation of this magnitude were to be completed and successfully implemented, it would be the first of its kind.

Several bilateral trade agreements have been negotiated with Southern Cone nations. Among these, Chile appears to be the leader as the first to sign a free trade agreement with the United States in 1998, thereby opening up considerable markets to Chile. Chile is also negotiating a free trade agreement with China, the first to do so in Latin America, potentially opening up even more markets to the Southern Cone country.

The Future of the Southern Cone

The future of the Southern Cone relies on its ability to continue opening up their markets to the world economy and to adopt free-market policies. History has shown this region that

protectionist policies in a global economy will leave a country behind. Cooperation among the countries is essential to their success. The relative young age of the population will only mean that the importance of this region will continue to increase as time goes on. The beginnings of regional trading blocs and signing of several free trade agreements with Southern Cone countries signal the region's willingness to be an active participant in the global economy.

If the Southern Cone countries continue on the road they have started down, this region will become increasingly important to the global economy in coming decades. In order to succeed in this market, it is important for businesses in the United States and around the world to have a understanding of the region. A working knowledge of the Southern Cone region, its history, societal culture, and business customs will be essential to the success of any business wanting to work with this up and coming regional power.

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